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C O N F I D E N T I A L SECTION 01 OF 03 KYIV 000686

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TAGS: [PGOV](#) [PREL](#) [UP](#)

SUBJECT: UKRAINE: DAS KRAMER'S DISCUSSIONS OF DOMESTIC  
POLITICS

REF: A. KYIV 643

[1](#)B. KYIV 648

[1](#)C. KYIV 618

[1](#)D. KYIV 666

[1](#)E. KYIV 642

Classified By: Ambassador for reasons 1.4(a,b,d).

[1](#)1. (C) Summary: In a wide range of conversations EUR DAS David Kramer and NSC Director Adam Sterling conducted with Ukrainian officials and commentators March 18-20, the overriding theme in domestic politics was that all branches of the government were consumed with the ongoing struggle for political power, but that political alliances were beginning to shift in an effort to break the impasse and maximize best possible personal outcomes. Almost everyone said that early Rada elections were unlikely, but the mere threat of them kept players across the political spectrum devoting attention and resources to strategizing accordingly, detracting from the larger purpose of leading the country forward. Many echoed the theme of a lack of strong, enlightened leaders in or out of the government; the best that could be hoped for was enough cooperation to bring stability while Ukrainians wait out this period of political development.

[1](#)2. (C) Comment. The subsequent developments March 21-23--Arseniy Yatsenyuk's confirmation as Foreign Minister, Kinakh's departure from OU to join Yanukovych's Cabinet as Economy Minister, raids against civic activist Yuri Lutsenko and his allies (ref A-B, D-E) show the rapid movement of developments in the days following Kramer and Sterling's visit. Opinions remain split whether concrete cooperation between Yushchenko and Yanukovych will emerge, as many preferred, or whether Yanukovych's complete domination will result, as per Tymoshenko. As usual, Tymoshenko seems ready to continue fighting, but she may have fewer options. All agreed that Regions would remain the dominant political force for the time being, and that continual engagement of Yanukovych and Regions, especially the more western-oriented businessmen in the party, to keep them moving in a pro-European direction was paramount. End summary and comment.

No Shining Prince, Broad Coalition May Be the Best Answer  
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[1](#)3. (C) One conclusion often repeated in various formulations was that there were no real "good guys" left in the battle for power. Highly-respected journalist Yuliya Mostova told us that no one in the political leadership right now had any vision; Yushchenko and Yanukovych were both weak leaders. Political analysts Oleksiy Haran and Ihor Popov said that this was a dangerous time. They argued that the optimism following the signing of the Universal last August was gone; Ukraine now faced a return to Kuchmaism and oligarchic capitalism. Former FM Tarasyuk blamed the CabMin for

repeatedly backing away from implementing agreements made with the President, while Defense Minister Hrytsenko said Yushchenko and the "orange" team failed to take advantage of two years in office to change the system of government. Even Tymoshenko had no real strategy, said Hrytsenko, preferring statements afterwards rather than effective work. We "need to live through this phase, and see progress more slowly and on a lower level."

14. (C) On a more positive note, all agreed that most key players wanted broad cooperation and stability. Mostova said that Regions oligarch Rinat Akhmetov had always wanted the broad coalition with Yushchenko. Yanukovych was inclined this way as well, but the hawks in his circle, like Chief of Staff Lyovochkin and Justice Minister Lavrynovych, pushed for continued conflict. Similarly, Yushchenko wanted peace, but his Secretariat and party continued to fight. Rada EuroIntegration Committee Chairwoman Propokovych (OU, affiliated with ex-PM Yekhanurov) said there had to be some cooperation with Regions. She thought that Regions faction leader Raisa Bohatyreva understood this and might be ready to cooperate. Haran and Budget Committee Chairman Volodymyr Makeyenko (Regions) maintained that Regions' big businessmen, including Akhmetov and Kluyev, wanted stability; a broad coalition was the only way to achieve that stability. Makeyenko claimed that Regions were prisoners to counterproductive Communist and Socialist demands.

15. (C) Comment: Regions' complaints about its junior partners are somewhat self-serving, since it chose not to conclude a broad coalition with OU in August, as many expected, in order to have more pliable junior partners. The CPU and SPU continue to wield some leverage over Regions because, according to the constitution, if one or the other junior partner leaves the coalition before any other group joined,

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leaving the coalition with fewer than 226 MPs, the Yanukovych government would have to resign and a new majority formed. While a new Regions-dominated majority would be the most likely outcome, the resulting Pandora's box could lead to an (improbable) resurrection of the OU-BYuT-Socialist coalition that collapsed stillborn in June 2006 or even new elections. However, most observers see a broad coalition and the effort to attract new members to the coalition as a Regions strategy to either gain the 300 votes needed to change the constitution (presumably with CPU support) or to jettison the communists from the coalition while holding on to a solid majority.

No One Sure When the Fighting Will Stop  
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16. (C) There was no agreement on a timeline for when political developments will settle down. Most argued that wanting cooperation and figuring out how to get there, and on whose terms, were not the same thing. Presidential adviser Rybachuk believed that the confrontation phase was climaxing; fatigue, dropping ratings, and lack of advantage should lead to calmer waters (note: the meeting with Rybachuk occurred March 18, prior to the launch of a coordinated attack by the prosecutor general's office and police March 19 against civic activist Yuri Lutsenko and his allies, which Yushchenko denounced as a "politically ordered" effort. End note). NGO activist Popov said that he believed that Regions would consolidate all power by early 2008, predicting half of OU would join the majority because they were tired of being in opposition. Regions' Makeyenko suggested the struggle would continue through the next presidential election, predicted to take place in late 2009 or early 2010, at which point the country would be split between BYuT and Regions.

United Opposition is divided  
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17. (C) Opposition leader Tymoshenko remain focused on the

same plan since last fall, early elections and the removal of the Yanukovych government. She argued that Yanukovych and Moroz were not long-term partners but tactical allies in extracting what they want from Yushchenko. Yanukovych was stacking the Prosecutor's Office (PGO), and the government in general, with Donetsk loyalists, and there was nothing Yushchenko could do about it. Since Yushchenko and Yanukovych could not work together, the President either would lose all power or work with the opposition to force early elections.

18. (C) Views in OU remain split, however, over the wisdom of the path of confrontation. Tarasyuk stated that OU had taken the political decision to work for early elections, even though the legal conditions currently do not exist. However, Prokopovych and even Tymoshenko herself acknowledged that the Kinakh, Yekhanurov and Poroshenko groups in OU were not comfortable with this strategy of working with the opposition. Kinakh was the first to jump, agreeing March 22 to become Minister of Economy; his six MPs formally joined the majority coalition March 23.

No Early Elections, but what if?  
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19. (C) Everyone but Tymoshenko agreed that there were no legal grounds for holding new Rada elections this year and there was no public will to go through another campaign. Mostova said party lists would be the same as in 2006 were new elections to be held. Rada Deputy Propokovych said new elections would be unproductive: "this is life, you must deal with what you have." Hrytsenko and Rybachuk said that elections would not change the basic balance of political forces or solve the stability issue. Similarly, NGO leader Popov argued that although Regions feared a new Orange Revolution, explaining their fixation on Tymoshenko and Lutsenko as their strongest competitors, such concerns are misplaced. There was no public will for more protests; it was too soon for people to come out in the streets as in 2004.

110. (C) Despite the low likelihood of early elections, all sides are clearly calculating how the past eight months have affected political ratings. Mostova and academic Taran told us that Regions was losing support to the radical Progressive Socialist Vitrenko and the Communists (note: whom they viewed as their competitors in 2006), and were trying to calculate what plan of action would best give them a boost. Tymoshenko believed that the Communists, inside the Regions-led coalition, were losing support to Vitrenko, currently not represented in the Rada. Both Tymoshenko and Propokovych suggested that the Communists were considering leaving the

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coalition because they are worried about losing their electorate.

Regions' Revanchist Reaction to Political Uncertainty  
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111. (C) Most interlocutors agreed that because of the perceived political uncertainty surrounding current alliances and future elections, Regions' Donetsk core was filling the government with their own people and seeking other ways to enhance their power. Mostova said that PM chief of staff Lyovochkin had been placing his people in the tax administration, PGO, and in the oblast administrations. In addition, he had allocated a billion dollars for the courts (i.e., to buy decisions). Mostova also alleged that while 12 of the 18 Constitutional Court judges in the fall of 2006 were deemed sympathetic to Yushchenko and Tymoshenko, that number had dropped to five. Rybachuk said that corruption was skyrocketing on VAT refunds (20% kickbacks demanded) and in hostile takeovers (so-called "raiderstvo"), and the CabMin team was still trying to take control of state arms firm UkrSpetsExport and state banks to tap additional income

streams. Academic Haran told us that on March 19 Rybachuk had been forced out as Board Chair of the State Savings Bank (Oshadnyi Bank) in favor of allies of DPM's Kluyev and Azarov.

Engagement: Keeping Regions on the Straight and Narrow

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¶12. (C) Our interlocutors also argued that the U.S. needed to continue to reach out to Yanukovych to keep him focused on a European course and to keep the pressure on him to deliver results. Mostova suggested that the U.S. use Yanukovych's need for acceptance to its advantage. In her view, the Kremlin did not take Yanukovych seriously, which irritated him. She argued that the U.S. needed to let the PM know that we would not let him off the hook for actions like trying to prevent Lutsenko from rallying in Kharkiv (ref C), but that we would continue to work with him as long as he gave reason to do so. Propokovych echoed this approach, adding that the MCC program was a great way to get the government to be productive. The knowledge that this money could disappear if the Government did not produce results had an effect; the Regions team needed to be reminded of the conditionality, agreed Rybachuk. Many added that underscoring the economic advantages of a market economy and cooperating with the West, and emphasizing the economic downsides of not doing so, could keep the powerful business crowd in Regions, led by Akhmetov, pushing for moderate domestic and foreign policies. Propokovych recommended that the U.S. focus on Akhmetov and the big businessmen in Regions, since they were already integrating into the West.

¶13. (C) Reaching out to the more productive members of Yanukovych's team and encouraging the PM to turn to them instead of to his more Soviet-minded colleagues was also important. Mostova noted Yanukovych was not a strategic thinker but could be taught. Rybachuk added that Yanukovych was limited by his old Soviet psychology, was emotional, blew up easily, and did not communicate well, but he had a practical mentality. Foreign policy adviser Konstantin Gryshchenko was widely praised as one of the smartest members of Yanukovych's team, and also one of the few equipped to engage westerners. Haran lamented that Gryshchenko had no equivalent on the economic policy side, where the Cabinet needed some talented minds. He said that in addition to Gryshchenko, Lyovochkin was pushing for closer U.S. ties. In contrast, several people warned about DPM Azarov. Mostova said Azarov was dangerous; she called him very wealthy, anti-Western, and anti-NATO. Taran added that Azarov was widely acknowledged to be one of the two most corrupt members of the Cabinet (note: see septel for the other, Fuel and Energy Minister Boyko, who has ties to RosUkrEnergo).

¶14. (U) Visit Embassy Kyiv's classified website:  
[www.state.sgov.gov/p/eur/kyiv](http://www.state.sgov.gov/p/eur/kyiv).  
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